

# The Competitive Advantage of Batik as A Cultural Heritage of Indonesia in International Markets (Case Study of PT. Batik Danar Hadi Surakarta)

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## Abstract

Batik as a national cultural heritage is seen as a form of traditional knowledge and traditional cultural expression from the local society of Indonesia. Since, batik has a variety of exclusive product; it produces a high demand and potential to the world. For this, PT. Batik Danar Hadi owns many opportunities to expand the export of batik to the whole world. However, some obstacles are may existed and experienced by the export division of PT. Batik Danar Hadi. PT. Batik Danar Hadi is not able to produce the products in great quantities in a short production time, which means this company is not able yet to fulfill the costumer's demand in maximum. This could be a threat for the company to compete with other exporters. Therefore, this research aims to analyze the competence of competitive quality of Indonesian batik products of PT. Batik Danar Hadi Surakarta in international market domain. The method of data collection and analysis exerted in this research is descriptive qualitative method in the type of case study. The instrument used to analyze the competence of competitive quality of products is Berlian Porter's theory. From the analysis result exerting the theory of Berlian Porter shows that there is interrelatedness between main and supporting components. It indicates that batik owns the competitive quality and high competence in the international markets, yet it needs a strategy to strengthen the competitiveness. To know the expanding strategy, this research uses SWOT analysis. Due to the strategy analysis, it needs to expand the market by the strategy of owned positioning brand, to develop other products that have been produced by employing qualified human resources, to make an invention of a new technology of sunlight supplementary as a solution to speed up the production process, to raise market share, to add the production space to the buyers to fix the scale of costumer priorities.

**Keywords:** Competitiveness, Batik, International Markets

## 1. Introduction

Batik as a national cultural heritage is seen as a form of traditional knowledge and traditional cultural expression of the local citizen of Indonesia, in the form of traditional-based technology and cultural expression (Atmojo, 2008). From its uniqueness, batik could be an original superior product of Indonesia which is produced exclusively and able to compete globally. PT. Batik Danar Hadi Surakarta/Kota Solo is one of greatest batik exporter in Indonesia that owns loyal customers from Japan, Arab, India, and America and has been introduced batik product to five countries since four years ago. America becomes a biggest customer of PT. Batik Danar Hadi since this country has a culture of quilting or patchwork, a creation made of various kinds of fabric pieced together into one motive. One of fabric that is used in quilting is batik of Indonesia. This occasion is considered to be a great chance to make business cooperation between Indonesia especially PT. Batik Danar Hadi and America. PT. Batik Danar Hadi still has many opportunities and possibilities to expand the export of batik to the whole world. However, some obstacles are may existed and experienced by the export division of PT. Batik Danar Hadi. PT. Batik Danar Hadi is not able to produce the products in great quantities in a short production time, which means this company is not able yet to fulfill the buyer's demand in maximum. This matter could threaten PT. Batik Danar Hadi to compete with the other exporters. Nowadays, the competitiveness becomes greater in the global market. Therefore, it needs a new strategy upon the current condition to be able to compete globally.

## 2. Literature Review

Concept of competitiveness according to Salvatore (2005) in international commerce related to the owned advantage of a commodity or a country to deliver product result in more efficiently than other countries. The competitiveness of advantage means a combination from a lot of creativities inside the company to design, to produce, to market, to deliver, and to support the product. The competitiveness could be seen from the indicators of competitive advantage. The competitive advantage refers to an instrument used to measure the competitiveness of an activity based on the condition of actual economy. This concept of competitive advantage is firstly triggered by Michael Porter in 1990. According to Porter (2007), there are four main factors to determine the competitiveness of an industry: 1) resource factor, 2) demand, 3) supporting industry and related industry, and 4) structure, competition, and company's strategy. Those four factors are supported by the factor of opportunity and government role in raising the competitive advantage of a national industry, and to construct a system known as "the national

diamond". Here are the systematic of four attributes of "the national diamond":

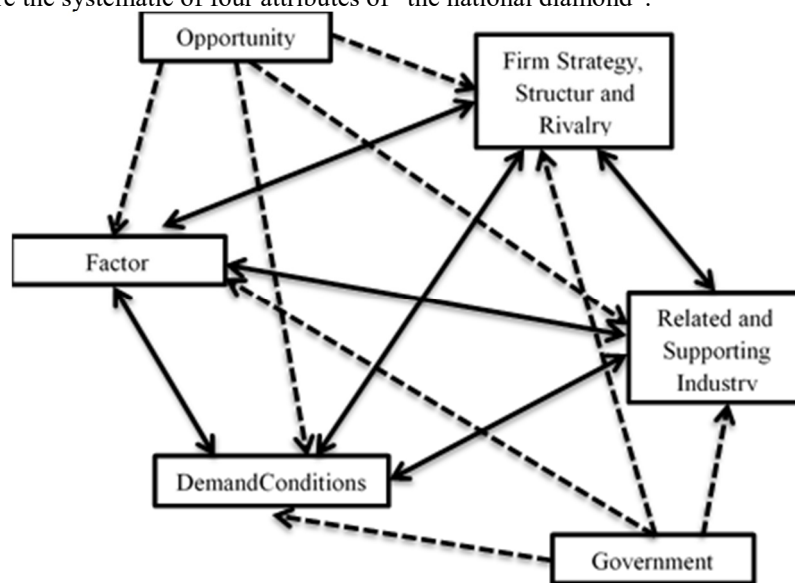


Figure 1. "The National Diamond System"

Source: Michael E. Porter, 2007

Explanation: Straight lines, indicated a connection between the main attribute.

Dashed lines: Indicated a connection between additional attributes to the main attribute.

The diamond model from Porter considered four aspects of economic sphere of country which impacted the competitiveness position such as factor condition, related and supporting industry, demand condition and company strategy, also structure and competition. This theory asserted that a successful and competitive country is a country which owned the best diamond. In the left side of factor condition which considered when experiencing natural sphere, Porter distinguished the factor condition into base factor, which considered as a national heritage.

Various researches related to the competitive advantage analysis and development of batik culture which had been done initially by Indrowarjo, Baroto Tavip in 2008 who firstly consider the development of batik design. This researcher inspired the designs of batik to have bigger opportunity and later on to be developed more accordingly to the recent theme and followed to the customer taste. Second researcher named Nayantakaningtyas, Jauhar Samudra, et al in 2012 examined the competitiveness and development strategy of palm oil in Indonesia. The method used was descriptive qualitative, whereas the instrument used was the theory of Berlian Porter, SWOT, and strategy of architecture. This research found the strategy of innovation considering to national and international issues and other supporting strategies. The third researcher, Byun, Jeongeun, et al in 2016 intended to compare the international competitiveness in service industry of Korea, America, England, and Japan. The result of research aimed to encourage the service industry in Korea. The newest input and output table is used as statistics and then altered to a reference for a competitiveness analysis. Fourth researcher, Kaleka, Anna & Morgan, Neil A in 2007 examined the development of international marketing strategy. This research showed that to find the intensity target of competitive international market was the drive factors related to the differentiation in strategy decision. The fifth researcher, Rui Huaichuan, et al in 2017 clarified the assumption of Chinese firm and competitive advantage was connected to the MNC expatriate. The result then improved the competitiveness of multinational firm by showing competence, expatriate combination and manufacture and proceeded maximally to create competitive advantage. The sixth researcher, Erdos, Aniko Kelemenne, 2014 analyzed the competitiveness, described the factors which could change the trend by improving the competitiveness of train market. The result in train transportation, the performance factor, infrastructure quality and passenger cost should be fixed and improved to alter the transportation trend into train and was able to improve the train competitiveness.

This research aims to analyze the competitive advantage of batik of Indonesia in PT. Batik Danar Hadi in international market and finds the method to improve the competitiveness value. For PT. Batik Danar Hadi particularly the manager of export division is hopefully to be able to give solution of the company's problem to face the global competition and then is cased up into the development of managerial frameworks, to improve the performance of export marketing in considering and formulating the decision of exact strategies appropriately to the company's purpose, as a superior product to be able to keep competing in global market and to bring the company's aspiration into reality to keep on preserving the cultural heritage of Indonesia especially the culture of batik.

### 3. Research Method

This research includes into qualitative research, in the type of case-study. The researcher presence is as a participant or participant observer, since the researcher could not completely observe the examined object. The participant observer means that within the research process, the researcher might participate directly in the intended company or apprentice over few months as one of marketing staff of export division of PT. Batik Danar Hadi Surakarta. The researcher chooses this company as his research location because of its uniqueness and scientific reasons which are found in PT. Batik Danar Hadi Surakarta. This company had been existed since 1967 and successfully produced the original cultural heritage made in Indonesia particularly batik. In 1977, the export division of PT. Batik Danar Hadi had also been successful to introduce the product of batik to five continents and became loyal supplier in the global market. In each day, they could manufacture various kinds and motives of batik with a high export quality. As for, the data source of this research is gained from the internal and external sources.

The internal data source involves one employee of export division manager, one employee of marketing manager, and one employee of production staff of export division of PT. Batik Danar Hadi, Surakarta, Central Java. As for the external data source is obtained from foreign customer or buyer of PT. Batik Danar Hadi. Also, to support and strengthen the data derived from the previous researchers, the data use is consisted of two, primary data and secondary data, both in qualitative method. The primary data is obtained from the direct observation in the workplace and direct interview with the research respondents. The secondary data is collected through reference and statistics which are relevantly to the research objective.

The data analysis exerts descriptive method in order to acquire the internal and external situation of export division of PT. Batik Danar Hadi in the form of competitive analysis which then to find the competitive advantage of batik product in international market based on Berlian Porter's theory. According to Porter (2007), the component analysis of Berlian Porter's theory covers: 1) the condition of resource factor: analysis of natural resource, human resource, scientific and technological resource, financial capital resource, and infrastructure resource. 2) the condition of demand: analysis of domestic demand composition, 3) related industry and supporting industry: analysis of upper and lower industry, 4) competition structure, company strategy such as market structure, competition level, and industry strategy, 5) government role includes analysis of related policies, and 6) the role of opportunity, covers factor analysis in out of industry and government's control. As for, to identify the development strategy, this research uses SWOT analysis. The internal and external factors of export division of PT. Batik Danar Hadi are identified to find the strategic alternative resulted through SWOT matrix.

### 4. Findings and Discussion

#### 4.1 *Competitive Advantage through The Theory of Berlian Porter in PT. Batik Danar Hadi*

PT. Batik Danar Hadi owns competitive advantage, comprises of competition, structure and supporting strategy of resource factors such as scientific and technological resource which support the promotion and publication strategy done by the developer of Indonesian culture, particularly batik industry of Danar Hadi. In the hope that the batik industry of Indonesia especially PT. Batik Danar Hadi could be well-known and spread widely by delivering promotions and publications. The competition, structure and strategy supporting the related industry and supporting industry are included into market strategy of PT. Batik Danar Hadi to approach competitive market in order to develop and expand the supporting industry like new comers of batik export industries. Regarded to the previous researches, Kaleka, Anna & Morgan, Neil A (2017) identified the strategy development of international marketing. This functioned to find the intensity target of international market competition which indicated to the driver factors related to the differentiation in making strategy. The existence of strategy to produce superior product of batik by manufacturing the best quality and exclusive design of batik to the customers is able to make the company to do better and able to compete in international market.

The condition of supportive resources with related industry and supporting industry means that the resource factors are already able to back up related industry in complying with the basic materials in the production process of batik. However, batik industry still relied on the sunlight in drying process and did not find the other method yet. Therefore, it needs a new technology to make the process better and faster without relying on the weather. According to Byun, Jeongeun, et al (2016), comparing international competitiveness functioned to compete to support the supporting industries. In other words, by the emerging of new competitors could encourage the company to find new strategies with new innovations. The factor condition of resource and cultural heritage brings Indonesia especially Danar Hadi as batik exporter with a good quality to comply the customer's demand from overseas. Regarded to Rui Huaichuan, et al (2017) improving the company competitiveness by showing competence, expatriate combination and manufacture which are proceed maximally in order to create a competitive advantage due to the condition of PT. Batik Danar Hadi. The factor of resource could be benefitted by improving the maximum competence to accomplish competitive advantage of its product. Last, the demand condition supported by related industries and supporting industries are able to comply with the local and international market demand. Here, the system analysis of Berlian Porter is clarified by the relevance between main component and secondary component.

The relevance between main components in Berlian Porter's system is found in PT. Batik Danar Hadi and could be seen in the table below:

Table 1. Relevance Table between Main Components of Porter's Diamond System

Component A	Component B	Relevance between components	Explanation
Competition, structure, and strategy	Factor condition of resource	Mutual support	Scientific and technological resources supports the strategy of promotion and publication which is done to expand Indonesian culture particularly batik industry of Danar Hadi.
Competition, structure, and strategy	Related industry and supporting industry	Mutual support	Market structure of PT. Batik Danar Hadi is almost the same with the competitive market, impacts to the development of supporting industry such as exporter industry of new product of batik in Surakarta.
Competition, structure, and strategy	Demand condition	Mutual support	Improvement of consumption of domestic batik is still able to comply with PT. Batik Danar Hadi domestic production. Strategy of superior product of batik which is manufactures by the best quality and exclusive design of batik for the buyers, therefore PT. Batik Danar Hadi could compete well in competitive markets.
Factor condition of resource	Related industry and supporting industry	Mutual support	So far, the factor condition of resource is already able to support the related industry and supporting industry. For instance, in basic material supply to proceed batik production. Yet, the industry of batik still relies on the sunlight in drying process. The company does not find any other method to alter the sunlight. Therefore, the company needs a new innovation and technology to improve the production process smoother and faster without relying on the weather.
Factor condition of resource	Demand condition	Mutual support	Factor condition of resource and cultural heritage brings Indonesia particularly Danar Hadi as one of batik exporters with a good quality to comply with the customer's demand from both domestic and overseas.
Demand condition	Related industry and supporting industry	Mutual support	Related industry and supporting industry is already capable to comply with the local and international market demand.

The relevance between main component and supporting component is thoroughly supporting each other. It is indicated from the role of government and opportunity to exhibit the competitive advantage of PT. Batik Danar Hadi much better. The relevance between the main component and supporting component could be seen from this table.

Table 2. Relevance table between Main Component and Supporting Component

Supporting Component	Main Component	Relevance Between Components	Explanation
Government Role	Factor condition of resource	Supporting	Ministry of Foreign Affairs participates to promote batik of Indonesia.
	Related industry and supporting industry	Supporting	The existence of strong exporter program executed by the government to encourage PT. Batik Danar Hadi to improve the export quantity.
	Demand condition	Supporting	To give the policy export upgrading and extension.
	Competition, structure, and strategy	Supporting	To organize an overseas exhibition. To support the promotions and publications.
Role of opportunity	Condition of resource factor	Supporting	original cultural heritage of Indonesia brings the batik producer (PT. Batik Danar Hadi) to easily expand the industry of batik.
	Related industry and supporting industry	Supporting	Although in Malaysia and India, there are already some batik exporters, but Indonesia has better quality and higher quantity because Indonesia could obtain the basic material from batik craftsman in easier way.
	Demand condition	Supporting	Danar Hadi owns loyal customer from America, Japan, United Arab Emirates and Canada. To combine Indonesian heritage (Batik) with American heritage (Quilting) to improve the demand.
	Competition, structure, and strategy	Supporting	Aim to improve audit standard of ISO about 97%. The power factor from brand positioning of Danar Hadi as batik producer company in national scale has been strong enough, which could be potential to the existence of export division.

#### 4.2 Strategy of Competitiveness Development through SWOT Matrix

Strategy formulated in SWOT analysis in order to develop and improve the competitiveness of batik. The formulation of strategy is derived from the combination of several factors of SWOT. The first alternative of strategy is to expand the market by implementing brand positioning which is owned. Brand positioning owned by PT. Batik Danar Hadi is good and influential to the extension of export division and able to extend the market. To extend the market, the company needs to improve the other collection of product by benefitting qualified human resources. According to Indrowarjo, Baroto Tavip (2008), the development of batik design gives inspiration to emerge the new designs, in the hope that batik is able to deliver good opportunity and possibility to improve according to the recent themes and customer's demand. This opinion should be applied to develop the products of batik to be more various and suitable to the current trend.

The second strategy is to improve the collaboration more intensively with the Ministry of Foreign Affairs to introduce the new products. Actually, the collaboration with the ministry has been since several years ago, but to keep and improve the collaboration performance optimally, it needs to keep the relation intensively. Then, it needs to solve and make invention of new technology to substitute the sunlight in batik drying process. This strategy aims to enhance the production process and keep the good quality even in great quantities. Since one of the problems of PT. Batik Danar Hadi is high quantity production in short production time, this company is not capable yet to comply the customer demand in maximum request. The sunlight is very sufficient in the process of product drying; there is no other technology that can replace it, since the drying process of batik needs straightly to the sunlight, not to the sun heat. If this sunlight is replaced by the drying machine, the color of batik would not be clear and good. Therefore, it needs to look for the solution to create a new technology as sunlight substituer by manufacturing a modern machine which could produce the same sun heat to be able to improve the production quantity especially when it comes to raining season.

The third strategy is to improve the employee loyalty and harmony to enhance good production and cooperation in order to expand the market widely. The employee's unity, harmony and loyalty in a company are very beneficial to create the strategy and innovation to extend the market. By focusing to the product development and minimize the internal interest of the employee, they should always be motivated to keep hard work. Then, the



next is to improve the market share, by increasing global competitiveness in textile industry especially fashion trend which nowadays becomes daily need for the customers. From the data of United States International Trade Commission, showed that since 2011, China was still in high rate of exporter country in textile products, whereas Indonesia was in low rate position at that time. According to Nayantakaningtyas, Jauhar Samudra, et al (2012), to increase the competitiveness means to apply the strategy of innovation by considering national and international issues and other supporting strategies. To improve the market share, innovate, and observe the national and international issues are the things to underline in the company in order to improve the competitiveness of batik product that owns high competitive opportunity.

The next strategy is to keep a good relation with supplier and if it is possible to have new suppliers. Since, the competitors from same area usually have the same supplier. Then, to keep the standard price and adjust to USD rate, so the determined price could compete well. Further, the price competition forces the product to cost lower and cheaper. And last, to add the production space for the buyers to fix the scale of customer priority. Priority scale for the customers is needed to deliver the best service, especially to indirect customers who buy the product via online. Here is the formulation result of SWOT matrix in export division of PT. Batik Danar Hadi shown in the table below:

Table 3. SWOT Matrix

IFAS	(Strengths-S)	(Weaknesses-W)
EFAS	<ol style="list-style-type: none"> <li>1. <i>Brand positioning</i> of Danar Hadi is strong and influential to the extension of export division.</li> <li>2. Qualified human resource in export industry.</li> <li>3. Collaboration with some qualified suppliers to produce batik.</li> <li>4. To keep and improve the internal harmony of company.</li> <li>5. To have a good relation with the forwarding for the sake of smooth and successful distribution process.</li> </ol>	<ol style="list-style-type: none"> <li>1. Factor of weather determines the production time.</li> <li>2. The production time is frequently late.</li> <li>3. Bad infrastructures.</li> <li>4. The priority scale of customer is less.</li> <li>5. Lack of employee's loyalty.</li> <li>6. Different opinions within the company.</li> </ol>
<ol style="list-style-type: none"> <li>1. Target of market is widely opened especially in USA and Canada.</li> <li>2. Having various kinds of product (fabrics, household and garment).</li> <li>3. Being well-trusted by the government or Ministry of Foreign Affairs as a best producer of batik.</li> <li>4. Collaboration with the government and Ministry of Foreign Affairs.</li> <li>5. The product is well-known in certain countries.</li> </ol>	<ol style="list-style-type: none"> <li>1. To expand the market by owned brand positioning.</li> <li>2. To develop and improve other products by benefitting qualified human resources.</li> <li>3. To improve the collaboration intensively with the Ministry of Foreign Affairs to get to know the new products.</li> </ol>	<ol style="list-style-type: none"> <li>1. To look for the solution by inventing new technology as sunlight substitute to advance the production process without losing the trust of customers.</li> <li>2. To improve the employee's loyalty and harmony. In result, the company could also improve the production and expand the market.</li> </ol>
<ol style="list-style-type: none"> <li>1. The global competition is increased.</li> <li>2. The new exporters who previously worked in PT. Batik Danar Hadi are emerged.</li> <li>3. The customer's interest might move to the new exporters (customers lose).</li> <li>4. The pricing competition compels the price of product to become lower and cheaper.</li> <li>5. Suppliers lose.</li> </ol>	<ol style="list-style-type: none"> <li>1. To improve the market share.</li> <li>2. To keep a good relation with the suppliers and better to have other new suppliers.</li> <li>3. To keep the standard price and adjust to the USD rate.</li> </ol>	<ol style="list-style-type: none"> <li>1. To add the production space for the buyers to fix the priority scale of customer.</li> <li>2. To focus on the product development and minimize the internal interest of employee.</li> </ol>

## 5. Conclusion and Suggestion

This research concluded that within the industry of batik particularly in export division, PT. Batik Danar Hadi owned competitive advantage which could be seen from several supporting factors, such as the role of scientific and technological resource has supported the strategy of promotion and publication to develop Indonesian culture especially industry of batik in Danar Hadi. The improvement of domestic batik consumption was still able to settle down by domestic production of PT. Batik Danar Hadi. By having a strategy to produce superior product of batik by utilizing the best quality and exclusive design of batik for the buyers, PT. Batik Danar Hadi was able to compete well in international market. Factor condition of resources and cultural heritage has brought Indonesia particularly Danar Hadi as batik exporter with good quality and could be able to comply with the customer's demand from both domestic and overseas customers. The role of government and existing opportunity has also supported all main components of Porter' Diamond system. Moreover, here are the obstacle factors that were emerged during the production process: the market structure of PT. Batik Danar Hadi was almost same with the competitive market structure. It caused the emerging of supporting industries like new comers of batik exporter in Surakarta. However, the industry of batik still relied on the sunlight in the drying process. Therefore, it needed a new technology to advance the production process smoother and quicker without depending on the weather.

To develop and improve the competitiveness of batik in PT. Batik Danar Hadi, the company should implement several strategies to expand the market by owned brand positioning. Firstly, to develop the other products by benefitting qualified human resources in the company. Secondly, to improve the cooperation more intensively with the Ministry of Foreign Affairs in order to introduce new products. Third, to look for the solution to create a new technology that is able to substitute the sunlight in drying process of batik. This aims to advance the production process without losing the trust of customers. Fourth, to improve the employee's loyalty and harmony in order to improve the production and expand the market. Fifth, to improve the market share. Sixth, to keep a good relation with the suppliers and if it is possible to look for new suppliers. Seventh, to keep standard price and adjust it to the USD rate. Eighth, to add the production space for the buyers to fix the priority scale of customer. From the strategies mentioned above, the researcher hopes that those strategies could be a good consideration of the company to improve the competitiveness advantage in international market.

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